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Order 2000-7-16

Served: July 14, 2000



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 11th Day of July, 2000

Essential Air Service at

PUEBLO, COLORADO

Under 49 U.S.C. 41731 *et seq.*

Docket OST-1999-6589 - 3

ORDER SELECTING CARRIER

Summary

By this order, the Department selects Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes), to provide subsidized essential air service at Pueblo, Colorado, for the period of March 1, 2000, through May 31, 2002, at an annual subsidy rate of \$527,185. (See Appendix A for map.)

Background

On December 2, 1999, Great Lakes Aviation, Ltd., d/b/a United Express, filed a 90-day notice of intent to suspend service at Pueblo, Colorado, effective March 1, 2000. Great Lakes has been serving Pueblo on a subsidy-free basis since April 24, 1998. Prior to that, Mesa Airlines, Inc., d/b/a United Express served Pueblo on a subsidy-free basis until April 23, 1998. By Order 2000-2-25, the Department prohibited Great Lakes from suspending service at Pueblo for 30 days beyond the end of the 90-day notice period, through April 1, 2000, and requested proposals from air carriers interested in providing replacement service at Pueblo. (The Department has extended Great Lakes' service obligation at Pueblo by a series of additional 30-day hold-in orders.)

Carrier Proposal

Only Great Lakes submitted a proposal in response to our request. Great Lakes proposes to continue operating at least 18 nonstop Pueblo-Denver round trips a week with 19-seat Beech 1900 aircraft at an annual subsidy rate of \$527,185.¹

¹ See Appendix B for details of Great Lakes' subsidy calculation. See Appendix D for the proposed schedule.

Community Comments

By letters dated May 31, 2000, we advised the Mayor and Airport Manager of Pueblo, the Governor of Colorado, and the Director, Division of Aeronautics, Colorado Department of Transportation, of the results of our negotiations with Great Lakes, and sought comments on carrier selection from these officials. We have not received any comments in response to our letters.

Decision

After a thorough review of the proposal and Great Lakes' service history, we have decided to select Great Lakes to provide service at Pueblo for a two-year period at an annual subsidy rate of \$527,185. The proposed service and subsidy levels appear reasonable and the carrier's performance continues to be satisfactory.

Carrier Fitness

According to 49 U.S.C. 41737(b) and 41738, the Department must find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last reviewed Great Lakes' fitness by Order 2000-4-19, April 18, 2000, in connection with its subsidized air service at Mattoon, Illinois. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to maintain reliable service at Pueblo, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Pueblo, Colorado, as described in Appendix C, for the period from March 1, 2000, through May 31, 2002;
2. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Pueblo, Colorado, as described in Appendix C, for the period from May 1, 2000, through May 31, 2002, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be

determined by multiplying the subsidy-eligible arrivals and departures flown during the month by \$286.20;²

3. The Department finds that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Pueblo, Colorado;
4. We direct Great Lakes to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
5. This docket will remain open until further order of the Department; and
6. The Department will serve a copy of this order on the Mayor and Airport Manager of Pueblo; the Governor of Colorado; the Director, Division of Aeronautics, Colorado Department of Transportation; and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

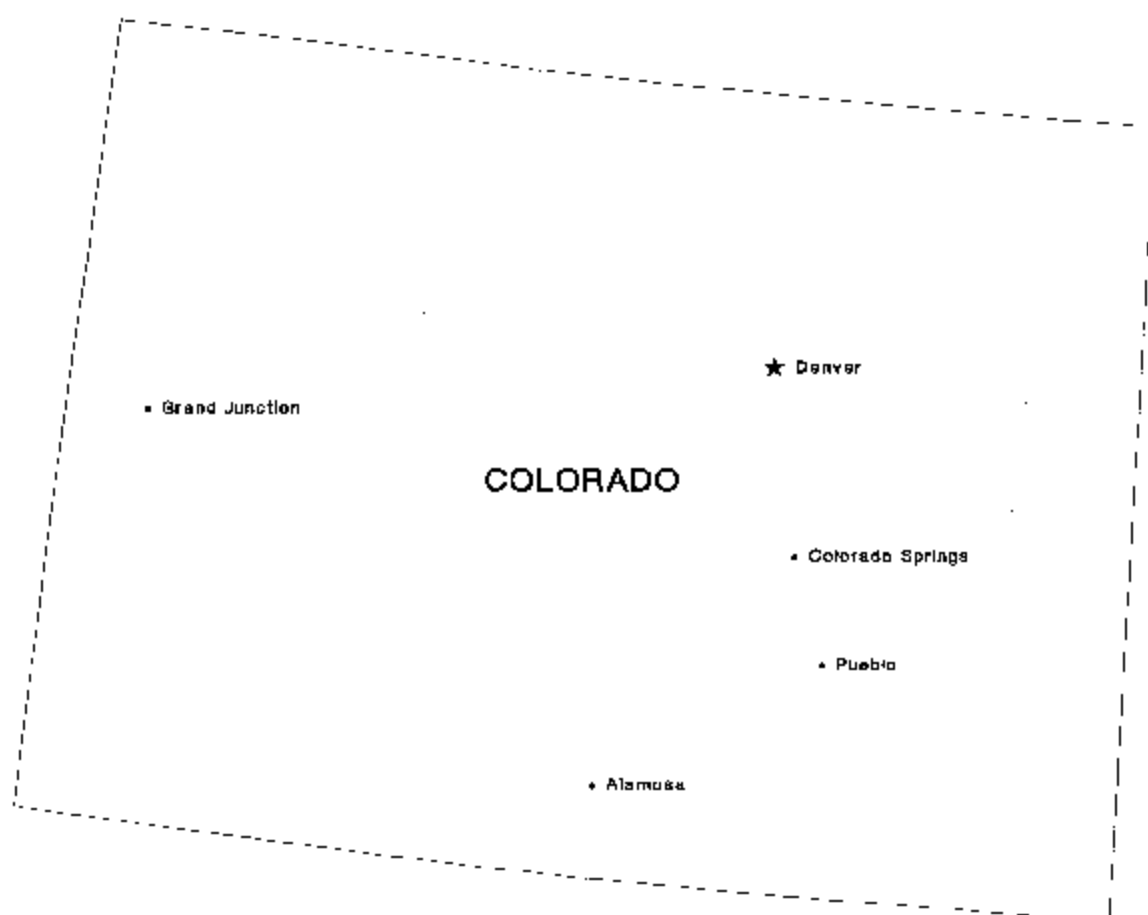
A. BRADLEY MIMS

Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

² See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of this rate may be required.



Great Lakes Aviation, Ltd., d/b/a United Express
Essential Air Service at Pueblo, Colorado
Calculation of Compensation Requirement

Mileage:	PUB-DEN	108		
Departures:		1,842		
Block hours		1,260		
Flight hours		1,007		
Available seat-miles		3,779,784		
Operating revenue:				
Passenger	10,000	PUB-DEN passengers @ \$93.00 average fare		\$930,000
Other	0.0062	of passenger revenue of \$930,000		<u>5,766</u>
Total operating revenue				\$935,766
Operating expense:				
Direct operating expense:				
Flying operations	\$94.11	per block hour		\$118,579
Flying operations	\$5.61	per departure		10,334
Hull insurance	\$3,280	12 months	0.3393	6,677
Fuel & Oil: PUB-DEN	\$1.206	1,842	93 gallons	206,595
Maintenance (a)	\$75.00	per departure	1,842	138,150
Maintenance (b)	\$104.82	per flight hour	1,007	105,554
Aircraft lease	\$34,504	12 months	0.80	<u>165,619</u>
Total direct operating expense				\$751,508
Indirect operating expense:				
PUB facility lease	\$900	12	months	\$10,800
PUB landing fees	\$46.62	921	PUB departures	42,937
PUB deicing charge	\$125	115	estimated apps.	14,375
PUB local marketing				5,000
PUB station manager				26,000
PUB station agent	\$20,800	2	agents	41,600
DEN cost per turn	\$264	921	DEN departures	243,144
DEN airport baggage system fees	\$1.46	5,000	DEN enplanements	7,300
DEN airport terminal transit system fee	\$1.45	5,000	DEN enplanements	7,250
DEN United baggage system fee	\$4.68	5,000	DEN enplanements	23,400
Passenger-related	\$16.67	10,000	total passengers	166,300
Administrative	\$0.0142	3,779,784	available seat-miles	<u>53,673</u>
Total indirect operating expense				\$641,779
Total operating expense				<u>\$1,393,287</u>
Operating loss				\$457,521
Profit element	0.05	\$1,393,287	Total operating expense	<u>69,664</u>
Compensation requirement				<u>\$527,185</u>

Great Lakes Aviation, Ltd., d/b/a United Express
Essential Air Service at Pueblo, Colorado

Effective period: March 1, 2000, through May 31, 2002.

Service: 18 round trips per week to Denver.

Intermediate stops and upline service: Nonstop to Denver with no upline limitations.

Aircraft type: Beech 1900D (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Annual compensation: \$527,185 ¹

Subsidy Rate Per
Arrival/Departure: \$286.20 ²

Weekly Compensation
Ceiling: \$10,303 ³

¹ This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.

² Annual compensation of \$527,185 divided by 1,842 annual arrivals and departures as shown in Appendix B.

³ Subsidy rate per arrival/departure of \$286.20 multiplied by 36 eligible arrivals and departures each week.

Great Lakes Aviation, Ltd., d/b/a United Express
Essential Air Service at Pueblo, Colorado

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on this route. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Great Lakes Aviation, Inc., d/b/a United Express,
Essential Air Service at Pueblo, Colorado
Proposed Schedule

<u>Frequency</u>	<u>Origin</u>	<u>Departs</u>	<u>Arrives</u>	<u>Destination</u>
x67	DEN	8:00	8:41	PUB
x67	PUB	8:56	9:37	DEN
x67	DEN	12:00	12:41	PUB
x67	PUB	12:56	13:37	DEN
x67	DEN	17:35	18:16	PUB
x67	PUB	18:31	19:12	DEN
6	DEN	9:15	9:56	PUB
6	PUB	10:11	10:52	DEN
7	DEN	10:15	10:56	PUB
7	PUB	11:11	11:52	DEN
7	DEN	16:40	17:21	PUB
7	PUB	17:36	18:17	DEN